



PROFERCY USA

US nitrogen prices and the Global perspective

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28 August 2009		World/US Price Comparison					
Product and origin	Cargo size metric tonne	Fob \$mt	Freight \$mt	cfr Gulf \$mt	Equals \$pst fob Gulf	Current Price \$pst fob Gulf	Current US price - Import cost
Granular Urea							
Middle East	35,000	260.0	25.0	285.0	261.6	275.0	13.4
Venez/Trinidad	20-25,000	260.0	20.0	280.0	257.0		18.0
Egypt	25,000	258.0	23.0	281.0	257.9		17.1
Egypt panamax	55,000	258.0	18.0	276.0	253.4		21.6
						Average delta	17.5
Prilled Urea							
Libya	20,000	235.0	25.0	260.0	238.9	300.0	61.1
Romania	25,000	250.0	30.0	280.0	257.0		43.0
Middle East	25,000	265.0	30.0	295.0	270.6		29.4
						Average delta	44.5
UAN							
Russia	30,000	150.0	28.0	178.0	164.5	140.0	-24.5
Romania	25,000	160.0	32.0	192.0	177.2		-37.2
Egypt	30,000	160.0	30.0	190.0	175.4		-35.4
						Average delta	-32.3
Ammonia							
FSU	35,000	264.0	55.0	319.0		\$pt cfr Tampa 325.0	6.0
Middle East	25,000	247.0	70.0	317.0		Aug price	8.0
						Average delta	7.0

Notes: Prices quoted are spot. Freight rates are estimates.

World Market Status		
Product	Status	Remarks
Granular Urea	Weak	As expected Egyptian prices have fallen below \$260pt fob with a few small volumes sold to cover short sales in Europe. Middle East netbacks have been undermined by the availability of low-priced Iranian product, on offer at \$255pt fob. Venezuelan product has been sold into Mexico at \$259-260pt fob. The near-term price outlook for this product remains weak.
Prilled Urea	Weak	FSU prilled urea has sold as low at \$235ps ton fob this week. Lower prices have not boosted demand and major buyers are still waiting on the sidelines. Real demand could emerge in the next few weeks but, for now, the outlook remains bearish.
UAN	Soft	The international market is inactive. The next price test will be in Egypt next week. The 31 August sales tender is expected to result in a lower price being tabled than the \$160pt fob paid in early August. French prices remain flat with buyers in no rush to return from their vacations.
Ammonia	Firm	The Tampa contract price for September has been settled at \$325pt cfr. This brings the US into line with the Global market. Ammonia is tight for September but upside from current levels is probably limited.



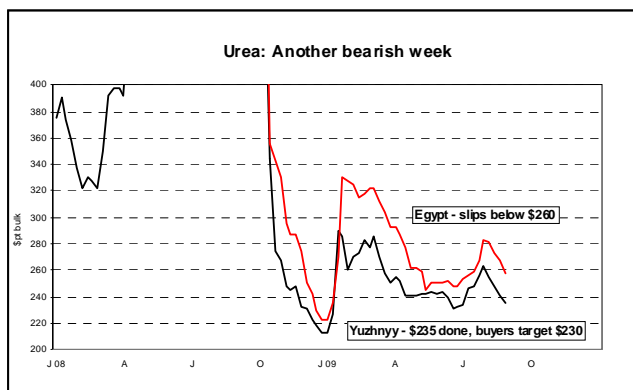
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Urea

Another bad week for producers

It has been another disappointing week for suppliers with market liquidity at a low ebb and prices under constant pressure.

- In the Black Sea small volumes of urea have traded down to \$235pt fob, but the export line up at Ukrainian terminals is still woefully thin
- Turkish and Brazilian buyers are seeking prices below \$230pt fob Black Sea/Baltic equivalent (increased freight rates to Latin America are not helping producers). Granular urea is being offered in Brazil below \$290pt cfr reflecting below \$260pt fob Middle East.
- Chinese prilled prices have dipped below \$260pt fob although no major crash is anticipated
- Mainstream Middle East prices have still to be tested but Iran is offering granular in the mid-\$250s pt fob
- US granular prices have dipped to \$275ps ton fob but are still high compared with World values
- Egyptian granular urea has sold below \$260pt fob with traders keen to exert further downward pressure to cover sales in Europe.



The above paints a bleak picture of the market. However, in keeping with the views expressed in the forecast of 25 August, it is still felt that the current development in the market is more a correction rather than a crash. The whole month of August has been characterized by limited buying activity, particularly for prilled urea in the West. This situation is unlikely to last much longer as many buyers need to book some product for September/October, including those in Brazil/Latin

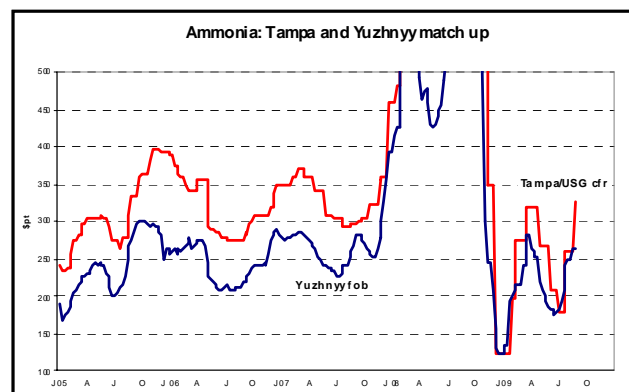
America, Europe and India (FSU urea can now compete). Overall, it appears that many buyers are purely awaiting clear signs that a price floor has been established.

This could occur in the next few weeks as deferred demand should come through enabling market liquidity to rebuild.

Ammonia

Tight for September

As expected the Tampa price for September was settled at a high level, \$325pt cfr representing a gain of \$65pt on August. The deal further demonstrates that ammonia is tight for the next 30 days. In the Black Sea virtually all Russian and Ukrainian product has been committed for September and suppliers are targeting prices above \$265pt fob for residual volumes. In the Middle East a spot cargo has been on offer at \$265pt fob but this price has not been possible. The main squeeze on ammonia has been in the west and this price does not work for movements away from Asia.



Beyond September there are signs that prices could slip back. European production is increasing, reducing the need for import. Further, and perhaps more worrying for suppliers, Iran is due to commission a new ammonia unit in 1-2 months. Reports indicate that the associated urea plant will not start up until March 2010 implying that additional ammonia could be available for export.

The Iranian track record for placing spot ammonia is poor and if additional volumes emerge, this would likely have a very negative impact on merchant ammonia prices both in Asia and West of Suez.

For further details of The Profercy Report contact: fertilizers@profercy.com